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SA
ORS

Direct Testimony of Leslie Hendrix
In Re: Leslie and Mark Hendrix, Complainant / Petitioner V
Utilities Services of South Carolina, Defendant / Respondent
Docket No. 2009-102-W

2009 JUN 22 11:02 AM

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My name is Leslie Hendrix. I own a home and live at 125 Dutch Point Road, Chapin, SC 29036. My residence is located in the Dutchman Shores subdivision. I am a consumer of Utilities Services of South Carolina (USSC) for water. USSC purchases water for distribution in my subdivision from the City of Columbia.

I am dissatisfied with USSC and have filed complaints through the SC Office of Regulatory Staff (Staff) and the SC Public Service Commission (PSC) to seek relief for my complaints. In this document I will provide my direct testimony relating to these complaints in Docket No. 2009-102-W.

Pass-through Mechanism

I do not believe that the pass-through billing mechanism is being employed in a manner consistent with the intentions of, nor with orders of, the PSC. USSC's current tariffs do not itemize and define supply charges for purchased water. Instead, in Order No. 2006-22, Exhibit E, of Exhibit 1, a Settlement Agreement was "incorporated into and made part of" the order. This settlement agreement included testimony by Dawn Hipp. Dawn Hipp, with Office of Regulatory Staff, included Exhibit DMH-8 with her settlement agreement testimony in Docket No. 2005-217-WS, which demonstrates the effect of the pass through on USSC consumers. Please, see the following excerpt from Ms. Hipp's testimony below taken from <http://dms.psc.sc.gov/pdf/matters/E67F4AA4-EBBE-89FA-9E28A3D1CCF80B09.pdf> page on the Commission's docketing website.

Q. WHAT WOULD BE THE COST IMPACT OF THE PASS-THROUGH ON CUSTOMERS IN THESE PORTIONS OF THE USSC'S WATER SERVICE AREA?

A. The cost impact would vary depending upon the area in which a customer is located as Exhibit DMH-8 reflects. The variance arises from the fact that USSC currently receives bulk water service from eight different bulk water providers which have differing bulk rates and charges. At the request of ORS, USSC has agreed to provide additional notice to the customers in the eighteen subdivisions where the pass-through would apply.

Q. WHAT IS THE ONE MODIFICATION TO USSC'S PROPOSED PASS-THROUGH PROVISION THAT ORS PROPOSES BE ADOPTED?

A. ORS proposes that USSC's right to pass-through bulk charges in amounts above and beyond those reflected in Exhibit DMH-8 be conditioned upon USSC's compliance with the procedure established by the Commission for Kiawah Island Utility, Inc. in Order Numbers 2002-285 and 2002-517 in Docket Number 2001-164. Under that procedure, USSC will be required to give the Commission thirty days notice of its intent to increase the amount of pass-through rates beyond those which may be approved in this proceeding and to provide the Commission with justification for any such increase. In the event that the amount of increase in the pass-through rate is approved by the Commission, USSC will then be required to give customers an additional thirty days notice before the increase in the pass-through amount may be put into effect. ORS believes that this modification is in the public interest for several reasons. First, it fairly addresses the unique

Also, please see the information below taken from the above referenced Exhibit DMH-8 at the same web address.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Line	Bulk	Name	Bulk Supplier	Average Monthly Consumption	Effective Bulk Rate per 1,000 Gallons	Average Monthly Pass Through Amount	Total Proposed Monthly Average Water Bill
(1)	1310	Parkwood	City of West Columbia	5,000	2.40	12.00	30.98
(2)	1318	Vanderdale	City of West Columbia	6,800	2.46	16.82	45.73
(3)	1322	Rainbow Acres	City of Columbia	5,500	2.89	15.90	45.64
(4)	1324	Dutchman Shores	City of Columbia	6,730	2.85	19.07	43.50
(5)	1348	Hammond Water	Lancaster County Water & Sewer	5,230	2.85	14.92	43.28
(6)	1358	Hickory Hills	City of Rock Hill	6,260	2.77	17.33	48.16
(7)	1363	Calhoun Acres	Sandy Springs Water District	4,900	1.47	7.21	34.94
(8)	1388	Debbins Estates	Hammond Water	6,400	2.33	14.98	41.55
(9)	1393	161 and Oak	Hammond Water	5,900	2.32	13.58	39.00
(10)	1390	Lakewood	Hammond Water	5,400	2.36	12.62	37.99
(11)	1381	Edgewood	Hammond Water	5,800	2.40	13.92	42.07
(12)	1392	Debbins Estates	Hammond Water	5,700	2.33	13.27	42.97
(13)	1394	Towneview Acres	Hammond Water	4,800	3.00	14.40	41.21
(14)	1395	Bellwood	Electric City Utilities (City of Anderson)	6,400	3.50	22.40	47.86
(15)	1397	Cherview	West Anderson Water District	1,100	3.50	3.85	52.04
(16)	1399	Greenforest	West Anderson Water District	5,200	3.50	18.20	48.67
(17)	1400	Hodden Lake	West Anderson Water District	5,800	3.50	20.30	50.75
(18)	1401	Surfside	West Anderson Water District				

Calculation Notes:

- (1) Information contained in column (e) was calculated using the effective rates of the eight different bulk suppliers. Effective rates can contain both a base facility and a commodity charge.
- (2) The charges (base facility and commodity) imposed by these providers would be charged to USSC's affiliated customers on a pro-rata basis without markup.
- (3) Information contained in column (g) was calculated using the proposed rates from USSC's Application.

You can see that in my subdivision, Dutchman Shores, USSC claimed that we were supposed to only see a supply charge of \$2.89 per 1000 gallons after the implementation of the pass through mechanism. (Yet my invoices have consistently shown charges much higher than that. I have attached these invoices as Exhibit A, and they show that supply charges have fluctuated to as much as over \$5 per thousand gallons!) All of this testimony was included with the Settlement Agreement which the Commission adopted in its order 2006-22. This order also mandates that USSC provide 30 days notice to the

Commission and 30 days notice to consumers for any price increases in the passed through charges. The required notice to has never happened. These charges are called "Supply" charges on consumer invoices. My supply charges have fluctuated consistently and remain higher than the actual charges that USSC is being billed by City of Columbia. I have requested through Staff, as well as through my complaints and responses in Docket No. 2009-39-W that USSC provide evidence that it is passing through charges without markup and USSC has failed to provide any such documentation. USSC provided a spreadsheet to the ORS, and in turn with me, accounting for water loss and I used this spreadsheet, along with City of Columbia billing to audit the overall pass through charges to Dutchman Shores subdivision. These spreadsheets are attached as Exhibit B. You can see that USSC is collecting more than it is being billed by City of Columbia for supplied water. Moreover, USSC has consistently brushed aside opportunities to defend these numbers throughout this Docket No. 2009-39-W.

It is my belief that the PSC has jurisdiction to reverse the pass through mechanism, or alternatively, to establish fair and published tariffs for distribution only water consumers of USSC. I ask the PSC for relief in this regard.

Water Pressure

At Lisa Lochbaum's insistence, and the filing of the action in Docket No. 2009-39-W, USSC seems to have remedied the water pressure issue. Water pressure is now 50 PSI, instead of the roughly 150 PSI it was when I brought this action. My water consumption now seems to be within normal limits for a 5 person home. However, I feel USSC has at least partial responsibility for the broken main line into my house, as well as the leaks in my copper pipes (under my house) that were repaired at the same time a pressure reducing valve was installed at my property.

Reimbursement

I feel that USSC should share in the responsibility for my broken / leaky pipes that were caused by extremely high water pressure at my residence (130 psi), dating back to at least several years ago until the high water pressure problem has recently been apparently remedied in 2009. I feel this is reasonable for at least two reasons: USSC will not be incented to monitor water pressure if they bear no responsibility for damages caused by high water pressure and monitoring water pressure should certainly *not* be the responsibility of the homeowner.

Additionally I am asking that the pass through mechanism be reversed or changed to reflect a published, reasonable rate for water supply. I am asking that the PSC ruling be retroactive through the pass through mechanism inception. This should naturally incur a credit for me as well as many other distribution-only USSC customers.

Timely Billing

Timely billing remains an issue. Billing is consistently months and months behind. Please see Exhibit A for evidence of this. I understand that USSC has had challenges following its billing system conversion, however this has gone on way longer than a

reasonable conversion period. This billing delay puts consumers in a bad situation with undetected leaks and USSC, as well as all utilities, are required to provide timely billing for consumers.

Equitable Billing within Dutchman Shores

The current billing practices utilized by USSC result in different rates for different residents in Dutchman Shores. As demonstrated in previous posts (my original complaint and amendment on the PSC system), Dutchman Shores residents are paying different rates from each other. Whether on different billing cycles or the same, customers are still paying different rates. The argument on behalf of USSC claiming that those Dutchman Shores residents having different rates is a result of them having different consumption is not a valid reason – one would assume that we should all have the same rate per 1,000 gallons as each other.

Equitable Billing within our Surrounding Areas

The City of Columbia customers (outside the city limits) and also the City of Chapin water customers are paying less than half the Dutchman Shores residents' rates as and *end user price*. I like using the end user price for water as comparison, since this is the only way to get a feel for who is paying more. In my previous testimony (posts to PSC system), I used the calculation that takes the total water bill to the customer and divides this by the consumption for an apples to apples comparison of water bills. Dutchman Shores residents are paying more than two times our neighbors directly outside our subdivision. I would like PSC to assure end user rates that make Dutchman Shores rates more comparable to neighboring communities' rates.

Reporting

See attached Exhibit B which is a spreadsheet that USSC provided to Staff reporting water loss. USSC reports an average water loss of 6.59%. I have several concerns relating to the validity of this report:

- This total includes 4 months with negative water loss, 2 of which are excessively negative. During the 2 months with excessively negative water loss, September and October 2008, Dutchman Shores residents were actually billed the highest supply charges per 1000 gallons that we have seen (\$4.72 per 1000 and \$5.01 per 1000 respectively). USSC did not provide copies of City of Columbia billing for these 2 months, but simple math demonstrates that something is way off with the water loss versus the supply charge billed to consumers. Staff asserts that our supply charge is calculated by dividing the City of Columbia bill by gallons consumed in individual meters, so our supply charge per 1000 gallons should be a fraction of what was actually billed by City of Columbia during these months. City of Columbia bills and a summary spreadsheet are attached as Exhibit I.
- All other documentation requested of USSC by Staff was provided by USSC from September 2007 through August 2008. It appears as though USSC added

two additional months of reporting on the water loss report to defray the appearance of extreme water loss. I added an additional calculation below the USSC tallies on this report to demonstrate that water loss was actually 13.23% during the year in question. Adding the two additional months makes it appear as though USSC is attempting to hide water loss, and it also adds questions about extremely negative water loss.

- System flushing is reported as accounted water, but I question how system flushing could be exactly 40,000 gallons each time. It would seem logical that the master meter is read, then flushing occurs, then master would be read again to record exact consumption. USSC has asserted that their operators have years of experience and somehow know how much they are flushing. This is absurd and flushed water should be metered. USSC may be more interested in conserving and accurately reporting if it is longer allowed to pass through these charges without Commission oversight.
- A 76,091 gallon adjustment is reported for March 2008. USSC explained to Staff that this adjustment was for a leak at 103 Harding St. in Dutchman Shores and a misread meter at 132 Harding St. The resident at 103 Harding St. reports that she has never seen a credit for this water leak. We are not sure how a non-credited leak and misread meter can be counted in accounted water lost. None of this water was lost. In the case of 103 Harding St. the water was paid for and in the case of 132 Harding St the next month's meter read should have naturally caught this reading up.

I ask that the Commission order USSC to justify the numbers reported by them on water loss and reimburse Dutchman Shores residents for over-charging in pass-through supply charge. This may be taken care of dependant on the Commission ruling other requests in this action.

Scrutinize Cost Basis

USSC is owned by Utilities, Inc. Utilities, Inc owns five water companies in SC, and many more besides. All five SC water companies are served out of the same office located at 110 Queen Parkway, West Columbia, SC. The same agents answer calls for all five companies and we suspect that common employees share other cross-company functions as well. Additionally, all billing is sent from corporate headquarters in IL, so I suspect that other cross-company functions are sourced from the corporate headquarters as well. In light of these companies being so closely intertwined we wonder if USSC used a more than appropriate portion of employee labor costs for justification in the USSC rate cases. My speculation was further promulgated by the fact that USSC asked for another distribution rate increase in the 2007-286-WS docket. There is absolutely no reason why USSC should have incurred higher costs to provide meter reading, billing, customer service agents, and collection to us. USSC does not supply water to us distribution-only customers and, in fact, passes 100% of its variable supply costs through to us currently. I would like to be provided detailed financials outlining the allocation of costs incurred in distribution-only service to us and Utilities, Inc other water companies.

USSC asserts that it is not capturing 100% shared employee labor and infrastructure costs in each of its South Carolina utilities rate cases. USSC also asserts that it does not retain records of how the costs within USSC were allocated for ratemaking purposes for distribution only consumers versus full service water and/or sewer customers. This is absurd and highly unlikely. USSC has failed to provide any documentation justifying distribution-only customer distribution charges. I believe the PSC should order USSC to justify the distribution-only rate or alternatively the PSC could impute a fair distribution rate if USSC does not choose to furnish evidence supporting its distribution rate. Additionally, now and in future ratemaking, I would ask that the ORS and Commission check to establish that cross-company, and cross-customer type costs are scrutinized for appropriate rate-making.

Conclusion

This concludes my testimony.

Leslie and Mark Hendrix
June 22, 2009

September 2007 to October 2008

Southeast

Sub #	Subdivision	Water Produced	WWTP
Sep-07	DUTCHMAN SHORES	1,324,334	
Oct-07	DUTCHMAN SHORES	1,022,516	
Nov-07	DUTCHMAN SHORES	688,758	
Dec-07	DUTCHMAN SHORES	794,526	
Jan-08	DUTCHMAN SHORES	714,265	
Feb-08	DUTCHMAN SHORES	728,402	
Mar-08	DUTCHMAN SHORES	765,877	
Apr-08	DUTCHMAN SHORES	779,005	
May-08	DUTCHMAN SHORES	800,023	
Jun-08	DUTCHMAN SHORES	1,105,170	
Jul-08	DUTCHMAN SHORES	1,345,428	
Aug-08	DUTCHMAN SHORES	818,088	
Sep-08	DUTCHMAN SHORES	945,681	
Oct-08	DUTCHMAN SHORES	1,041,156	
TOTAL		12,873,229	0

10,886,392

WATER USED OR LOST				
Flushing	Main Breaks/Leaks	Filters/ Softeners	Adjustments	Total Water Sold
40,000				1,166,066
40,000				914,942
40,000				654,380
				742,141
				746,545
				634,596
			-76,091	695,843
				699,469
				745,688
				755,531
				784,786
				859,085
				1,419,390
				1,159,487
120,000	0	0	-76,091	11,980,949

9,402,072

Total Water Sold/Active	Unaccounted For Water	Percent Unaccounted
1,166,066	118,268	8.93%
914,942	67,574	6.61%
654,380	-5,622	-0.82%
742,141	52,385	6.59%
746,545	-32,280	-4.52%
634,596	93,806	12.88%
622,752	143,125	18.69%
699,469	79,536	10.21%
745,688	54,335	6.79%
755,531	349,639	31.64%
784,786	560,642	41.67%
859,085	-40,997	-5.01%
1,419,390	-473,709	-50.09%
1,159,487	-118,331	-11.37%
11,904,858	848,371	6.59%

9,325,981

1,440,411

13.23%

Begin	End	Consumption in cu ft	Previous year consumption in cu ft
9/10/2007	10/9/2007	135400	21900
10/9/2007	11/7/2007	111800	1700
11/7/2007	12/7/2007	111600	10100
12/7/2007	1/10/2008	109500	2400
1/10/2008	2/13/2008	102500	99400
2/13/2008	3/12/2008	90900	88000
3/12/2008	4/14/2008	102400	26500
4/14/2008	5/13/2008	113700	29600
5/13/2008	6/10/2008	140100	75000
6/10/2008	7/10/2008	145100	44600
7/10/2008	8/11/2008	137700	3100
8/11/2008	9/10/2008	132000	67300
Total		1432700	469600
Average			

Conversion to gallons: Cu Ft x 7.48051948 = US Gallons

USSC to end-user charge per 1000 gallons: This is what Dutchman Shores residents were charged in supply charge on invoices

Invoice	3" Meter Base Charge	Price per 100 cu ft	Conversion to gallons
\$3,155.55	\$55.93	\$2.289231905	1012862.34
\$2,629.27	\$55.93	\$2.301735242	836322.08
\$2,624.81	\$55.93	\$2.301863799	834825.97
\$2,577.98	\$55.93	\$2.303242009	819116.88
\$2,421.88	\$55.93	\$2.308243902	766753.25
\$2,152.64	\$55.93	\$2.306611661	679979.22
\$2,419.65	\$55.93	\$2.308320313	766005.19
\$2,671.60	\$55.93	\$2.300501319	850535.06
\$3,260.30	\$55.93	\$2.287201999	1048020.78
\$3,371.86	\$55.93	\$2.285272226	1085423.38
\$3,369.25	\$55.93	\$2.406187364	1030067.53
\$3,235.87	\$55.93	\$2.409045455	987428.57
\$33,890.66	\$671.16		10717340.26
\$2,824.22	\$55.93	\$2.32	893112

City of Cola to USSC charge per 1000 gallons	USSC to end-user charge per 1000 gallons
\$3.060257929	\$3.551041600
\$3.076972458	\$4.122153200
\$3.077144315	\$3.579937300
\$3.078986714	\$3.549295700
\$3.085673273	\$3.852657000
\$3.083491283	\$3.115299300
\$3.085775418	\$3.514652000
\$3.075322944	\$3.365866300
\$3.057544339	\$4.729032200
\$3.054964608	\$4.729032200
\$3.216604636	\$4.729032200
\$3.220425347	\$4.729032200
\$3.10	\$3.89